Risk Factors Comparison 2024-02-28 to 2023-02-15 Form: 10-K

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Our business and operations, and our industry in general, are subject to a variety of risks. The risks described below may not be the only risks we face, as our business and operations may also be subject to risks that we do not yet know of, or that we currently believe are immaterial. If any of the following risks should occur, our business, financial condition, results of operations and liquidity could be materially and adversely impacted. As a result, holders of our securities could lose part or all of their investment in Devon. Risks Related to Our Industry Volatile Oil, Gas and NGL Prices Significantly Impact Our Business Our financial condition, results of operations and the value of our properties are highly dependent on the general supply and demand for oil, gas and NGLs, which impact the prices we ultimately realize on our sales of these commodities. Historically, market prices and our realized prices have been volatile. For example, over the last five years, monthly NYMEX WTI oil and NYMEX Henry Hub gas prices ranged from highs of over $ 120 per Bbl and $ 9. 50 per MMBtu, respectively, to lows of under $ 30 per Bbl and $ 1. 50 per MMBtu, respectively. Such volatility is likely to continue in the future due to numerous factors beyond our control, including, but not limited to: • the domestic and worldwide supply of and demand for oil, gas and NGLs, including the impact of releases from the U. S. Strategic Petroleum Reserve; • volatility and trading patterns in the commodity- futures markets; • climate change incentives and conservation and environmental protection efforts; • production levels of members of OPEC, Russia, the U. S. or other producing countries; • geopolitical risks, including the ~~on-going~~ conflict between Russia and Ukraine **, the Israel- Hamas conflict and hostilities in Yemen and the Red Sea** , as well as other **hostilities or** political and civil unrest in the Middle East, Africa, Europe and South America; • adverse weather conditions, natural disasters, public health crises and other catastrophic events, such as tornadoes, earthquakes, hurricanes and epidemics of infectious diseases; • regional pricing differentials, including in the Delaware Basin and other areas of our operations; **Index to Financial Statements** • differing quality of production, including NGL content of gas produced; • the level of imports and exports of oil, gas and NGLs and the level of global oil, gas and NGL inventories; ~~Index to Financial Statements~~ • the price and availability of alternative energy sources; • technological advances affecting energy consumption and production, including with respect to electric vehicles; • stockholder activism or activities by non- governmental organizations to restrict the exploration and production of oil and natural gas in order to reduce GHG emissions; • the overall economic environment, including inflationary pressures and rising interest rates; • changes in trade relations and policies, such as restrictions on oil, gas and NGL exports by the U. S. or economic sanctions, including embargoes, on Russia or other producing countries, as well as the imposition of tariffs by the U. S. or China; and • other governmental regulations and taxes. Estimates of Oil, Gas and NGL Reserves Are Uncertain and May Be Subject to Revision The process of estimating oil, gas and NGL reserves is complex and requires significant judgment in the evaluation of available geological, engineering and economic data for each reservoir, particularly for new discoveries. Because of the high degree of judgment involved, different reserve engineers may develop different estimates of reserve quantities and related revenue based on the same data. In addition, the reserve estimates for a given reservoir may change substantially over time as a result of several factors, including additional development and appraisal activity and the related impact to spacing assumptions for future drilling locations, the viability of production under varying economic conditions, including commodity price declines, and variations in production levels and associated costs. ~~For example, we recognized asset impairments of $ 2. 7 billion in 2020 due to the significant decrease in commodity prices resulting primarily from the COVID- 19 pandemic.~~ Consequently, material revisions to our existing reserves estimates may occur as a result of changes in any of these or other factors. Such revisions to proved reserves could have an adverse effect on our financial condition and the value of our properties, as well as the estimates of our future net revenue and profitability. Our policies and internal controls related to estimating and recording reserves are included in " Items 1 and 2. Business and Properties " of this report. Discoveries or Acquisitions of Reserves Are Needed to Avoid a Material Decline in Reserves and Production, and Such Activities Are Capital Intensive The production rates from oil and gas properties generally decline as reserves are depleted, while related per unit production costs generally increase due to decreasing reservoir pressures and other factors. Moreover, our current development activity is focused on unconventional oil and gas assets, which generally have significantly higher decline rates as compared to conventional assets. Therefore, our estimated proved reserves and future oil, gas and NGL production will decline materially as reserves are produced unless we conduct successful exploration and development activities, such as identifying additional producing zones in existing properties, utilizing secondary or tertiary recovery techniques or acquiring additional properties containing proved reserves. Consequently, our future oil, gas and NGL production and related per unit production costs are highly dependent upon our level of success in finding or acquiring additional reserves. Our business requires significant capital to find and acquire new reserves. Although we plan to primarily fund these activities from cash generated by our operations, we have also from time to time relied on other sources of capital, including by accessing the debt and equity capital markets. There can be no assurance that these or other financing sources will be available in the future on acceptable terms, or at all. If we are unable to generate sufficient funds from operations or raise additional capital for any reason, we may be unable to replace our reserves, which would adversely affect our business, financial condition and results of operations. Our Operations Are Uncertain and Involve Substantial Costs and Risks Our operating activities are subject to numerous costs and risks, including the risk that we will not encounter commercially productive oil or gas reservoirs. Drilling for oil, gas and NGLs can be unprofitable, not only from dry holes, but from productive wells that do not return a profit because of insufficient revenue from production or high costs. Substantial costs are required to locate, acquire and develop oil and gas properties, and we are often uncertain as to the amount and timing of those costs. Our cost of drilling, completing, equipping and operating wells is often uncertain before drilling commences. Declines in commodity prices and overruns in budgeted expenditures are common risks that can make a particular project uneconomic or less economic than forecasted. While both exploratory and developmental drilling activities involve these risks, exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons. In addition, our oil and gas properties can become damaged, our operations may be curtailed, delayed or canceled and the costs of such operations may increase as a result of a variety of factors, including, but not limited to: • unexpected drilling conditions, pressure conditions or irregularities in reservoir formations; • equipment failures or accidents; • fires, explosions, blowouts, cratering or loss of well control, as well as the mishandling or underground migration of fluids and chemicals; • adverse weather conditions, such as tornadoes, hurricanes, severe thunderstorms and extreme temperatures, the severity and frequency of which could potentially increase as a consequence of climate change; • other natural disasters, such as earthquakes, floods and wildfires; • **terrorism, vandalism, equipment theft, extreme activism directed against fossil fuel operations or assets, cybersecurity incidents and pandemics or other widespread health concerns; •** issues with title or in receiving governmental permits or approvals; • restricted takeaway capacity for our production, including due to inadequate midstream infrastructure or constrained downstream markets; • environmental hazards or liabilities; • restrictions in access to, or disposal of, water used or produced in drilling and completion operations; **• limited access to electrical power sources or other infrastructure used in our operations;** and • shortages or delays in the availability of services or delivery of equipment. Many of the factors described above have negatively impacted **and currently impact** our operations ~~in the past~~ and may do so again in the future. The occurrence of one or more of these factors could result in a partial or total loss of our investment in a particular property, as well as significant liabilities. Moreover, certain of these events historically have, and in the future could, result in environmental pollution and impact to third parties, including persons living in proximity to our operations, our employees and employees of our contractors, leading to possible injuries, death or significant damage to property and natural resources. For example, we have from time to time experienced well- control events that have resulted in various remediation and clean- up costs and certain of the other impacts described above. In addition, we rely on our employees, consultants and independent contractors to conduct our operations in compliance with applicable laws and standards. Any violation of such laws or standards by these individuals, whether through negligence, harassment, discrimination or other misconduct, could result in significant liability for us and adversely affect our business. For example, negligent operations by employees could result in serious injury, death or property damage, and sexual harassment or racial, gender or age discrimination could result in legal claims and reputational harm. Our Hedging Activities Limit Participation in Commodity Price Increases and Involve Other Risks We enter into financial derivative instruments with respect to a portion of our production to manage our exposure to oil, gas and NGL price volatility. To the extent that we engage in price risk management activities to protect ourselves from commodity price declines, we will be prevented from fully realizing the benefits of commodity price increases above the prices established by our hedging contracts. In addition, our hedging arrangements may expose us to the risk of financial loss in certain circumstances, including instances in which the contract counterparties fail to perform under the contracts. Moreover, many of our contract counterparties have become subject to increasing governmental oversight and regulations in recent years, which could adversely affect the cost and availability of our hedging arrangements. We Have Limited Control Over Properties and Investments Operated by Others or through Joint Ventures Certain of the properties and investments in which we have an interest are operated by other companies and may involve third- party working interest owners. We have limited influence and control over the operation or future development of such properties and investments, including compliance with environmental, health and safety regulations or the amount and timing of required future capital expenditures. In addition, we conduct certain of our operations through joint ventures in which we may share control with third parties, and the other joint venture participants may have interests or goals that are inconsistent with those of the joint venture or us. These limitations and our dependence on such third parties could result in unexpected future costs or liabilities and unplanned changes in operations or future development, which could adversely affect our financial condition and results of operations. **Moreover, any bankruptcy involving, or any misconduct or other improper activities committed by, our business partners or other counterparties could negatively impact our own business or reputation.** Midstream Capacity Constraints and Interruptions Impact Commodity Sales We rely on midstream facilities and systems owned and operated by others to process our gas production and to gather and transport our oil, gas and NGL production to downstream markets. All or a portion of our production in one or more regions may be interrupted or shut in from time to time due to losing access to plants, pipelines or gathering systems. Such access could be lost due to a number of factors, including, but not limited to, weather conditions and natural disasters, terrorism or sabotage, ~~cyberattacks~~ **cybersecurity incidents** , accidents, field labor issues or strikes. Additionally, midstream operators have in the past been, and in the future may be, subject to constraints that limit their ability to construct, maintain or repair the facilities needed to gather, process and transport our production. Such interruptions or constraints could adversely impact our operations, including by requiring us to curtail our production or obtain alternative takeaway capacity on less favorable terms. Competition for Assets, Materials, People and Capital Can Be Significant Strong competition exists in all sectors of the oil and gas industry. We compete with major integrated and independent oil and gas companies for the acquisition of oil and gas leases and properties. We also compete for the equipment, services and personnel required to explore, develop and operate properties, such as drilling rigs and oilfield services. The rising costs and scarcity caused by this competitive pressure will generally increase during periods of higher commodity prices and can be further exacerbated by higher inflation rates and supply chain disruptions in the broader economy. For example, we experienced higher operating costs throughout ~~2022~~ **2023** due to **steep cost inflation, and** these ~~factors, and we expect such~~ inflationary pressures ~~to~~ **could** continue in ~~2023~~ **2024** . Competition is also prevalent in the marketing of oil, gas and NGLs. Certain of our competitors have resources substantially greater than ours and may have established superior strategic long- term positions and relationships. As a consequence, we may be at a competitive disadvantage in bidding for assets or services and accessing capital and downstream markets. In addition, many of our larger competitors may have a competitive advantage when responding to factors that affect demand for oil and gas production, such as changing worldwide price and production levels, the cost and availability of alternative energy sources and the application of government regulations. Legal, Regulatory and Environmental Risks We Are Subject to Extensive Governmental Regulation, Which Can Change and Could Adversely Impact Our Business Our operations are subject to extensive federal, state, tribal and local laws and regulations, including with respect to environmental matters, worker health and safety, wildlife conservation, the gathering and transportation of oil, gas and NGLs, conservation policies, reporting obligations, royalty payments, unclaimed property and the imposition of taxes. Such regulations include requirements for permits to drill and to conduct other operations and for provision of financial assurances (such as **surety** bonds) covering drilling, completion and well operations and decommissioning obligations. If permits are not issued, or if unfavorable restrictions or conditions are imposed on our drilling or completion activities, we may not be able to conduct our operations as planned. Moreover, certain regulations require the plugging and abandonment of wells, removal of production facilities and other restorative actions by current and former operators, including corporate successors of former operators **, which means that we are exposed to the risk that owners or operators of assets acquired from us (or our predecessors) become unable to satisfy plugging or abandonment and other restorative obligations that attach to those assets. In that event, due to operation of law, we may be required to assume such obligations, which could be material** . We have incurred and will continue to incur substantial capital, operating and remediation costs as a result of these and other laws, regulations, permits and orders to which we are subject. Changes in public policy have affected, and in the future could further affect, our operations. For example, President Biden and certain members of his administration and Congress have expressed support for, and have taken steps to implement, efforts to transition the economy away from fossil fuels and to promote stricter environmental regulations, and such proposals could impose new and more onerous burdens on our industry and business. The IRA, for instance, contains hundreds of billions of dollars in incentives for the development of renewable energy, clean fuels and carbon capture and sequestration, among other provisions, potentially further accelerating the transition toward lower- or zero- carbon emissions alternatives to fossil fuels. These and other regulatory and public policy developments could, among other things, restrict production levels, delay necessary permitting, impose price controls, change environmental protection requirements, impose restrictions on pipelines or other necessary infrastructure, raise taxes, royalties and other amounts payable to governments or governmental agencies and otherwise increase our operating costs. In addition, changes in public policy may indirectly impact our operations by, among other things, increasing the cost of supplies and equipment and fostering general economic uncertainty. Although we are unable to predict changes to existing laws and regulations, such changes could significantly impact our profitability, financial condition and liquidity, particularly changes related to the matters discussed in more detail below. Federal Lands – President Biden and certain members of his administration have expressed support for, and have taken steps to implement, additional regulation of oil and gas leasing and permitting on federal lands. For example, President Biden issued an executive order in January 2021, imposing a near total pause on entering new oil and gas leases on public lands. Although the pause on leasing was subsequently lifted in April 2022, the Department of the Interior issued a report on the federal leasing program in November 2021 that recommended various changes, including, among other things, enhancing bonding requirements and applying a more rigorous land- use planning process prior to leasing. The IRA responded, in part, to the report' s recommendations by increasing onshore royalty rates on all new federal leases. ~~However~~ **In July 2023** , ~~certain of~~ the ~~report' s~~ **Department of Interior released a proposed rule revising various terms for future federal leases and wells, including bonding requirements, royalty rates, rental rates and minimum bids, of the onshore federal oil and gas leasing program, integrating** recommendations **from** ~~require further Congressional actions, and we cannot predict to what extent, if any, the Department of the Interior may be able to promulgate rules implementing the remaining recommendations of~~ the November 2021 report. While it is not possible at this time to predict the ultimate impact of these **actions** or any other future regulatory changes, any additional restrictions or burdens on our ability to operate on federal lands could adversely impact our business in the Delaware and Powder River Basins, as well as other areas where we operate under federal leases ~~. As of December 31, 2022, less than 20 % of our total leasehold resides on federal lands, which is primarily located in the Delaware and Powder River Basins~~ . Hydraulic Fracturing – Various federal agencies have asserted regulatory authority over certain aspects of the hydraulic fracturing process. For example, the EPA has issued regulations under the federal Clean Air Act establishing performance standards for oil and gas activities, including standards for the capture of air emissions released during hydraulic fracturing, and it previously finalized regulations that prohibit the discharge of wastewater from hydraulic fracturing operations to publicly owned wastewater treatment plants. Moreover, several state and local governments in areas in which we operate have adopted, or stated intentions to adopt, laws or regulations that mandate further restrictions on hydraulic fracturing, such as requiring disclosure of chemicals used in hydraulic fracturing, imposing more stringent permitting, disclosure and well-construction requirements on hydraulic fracturing operations and establishing standards for the capture of air emissions released during hydraulic fracturing. Beyond these regulatory efforts, various policy makers, regulatory agencies and political leaders at the federal, state and local levels have proposed implementing even further restrictions on hydraulic fracturing, including prohibiting the technology outright. Although it is not possible at this time to predict the outcome of these or other proposals, any new restrictions on hydraulic fracturing that may be imposed in areas in which we conduct business could potentially result in increased compliance costs, delays or cessation in development or other restrictions on our operations. Environmental Laws Generally – In addition to regulatory efforts focused on hydraulic fracturing, we are subject to various other federal, state, tribal and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on us for the cost of remediating pollution that results from our operations or prior operations on assets we have acquired. Environmental laws may impose strict, joint and several liability, and failure to comply with environmental laws and regulations can result in the imposition of administrative, civil or criminal fines and penalties, as well as injunctions limiting operations in affected areas. Any future environmental costs of fulfilling our commitments to the environment are uncertain and will be governed by several factors, including future changes to regulatory requirements. Any such changes could have a significant impact on our operations and profitability. Seismic Activity – Earthquakes in southeastern New Mexico, western Texas, northern and central Oklahoma and elsewhere have prompted concerns about seismic activity and possible relationships with the oil and gas industry, particularly the disposal of wastewater in salt- water disposal wells. Legislative and regulatory initiatives intended to address these concerns may result in additional levels of regulation or other requirements that could lead to operational delays, increase our operating and compliance costs or otherwise adversely affect our operations. For example, New Mexico implemented protocols in November 2021 requiring operators to take various actions with respect to salt- water disposal wells within a specified proximity of certain seismic activity, including a requirement to limit injection rates if the seismic event is of a certain magnitude. Separately, the Railroad Commission of Texas has shown increasing regulatory focus on seismicity and the oil and gas industry in recent years, and has imposed limits on certain salt- water disposal well activities in portions of the Delaware and Midland Basins. **For example, effective January 2024, the Railroad Commission suspended all disposal well permits that inject into deep strata within the Northern Culberson- Reeves area due to increasing seismicity concerns.** These or similar actions directed at our operating areas could limit the takeaway capacity for produced water in the impacted area, which could increase our operating expense, require us to curtail our development plans or otherwise adversely impact our operations. Changes to Tax Laws – We are subject to U. S. federal income tax as well as income or capital taxes in various state and foreign jurisdictions, and our operating cash flow is sensitive to the amount of income taxes we must pay. In the jurisdictions in which we operate or previously operated, income taxes are assessed on our earnings after consideration of all allowable deductions and credits. Changes in the types of earnings that are subject to income tax, the types of costs that are considered allowable deductions and the timing of such deductions, or the rates assessed on our taxable earnings ~~would~~ **could** ~~all~~ **significantly increase our tax obligations, adversely** ~~impact~~ **impacting** our ~~income taxes and~~ **financial condition,** ~~resulting~~ **results of** ~~operating~~ **operations and** cash ~~flow~~ **flows** . In addition, the IRA includes various changes to the federal tax laws beginning in 2023, including ~~(i)~~ a new 15 % **CAMT imposed** ~~corporate alternative minimum tax~~ on **certain** ~~" adjusted~~ financial statement income **of " applicable corporations.** " ~~and (ii) a new 1 % excise tax on stock repurchases. While we are still evaluating the full impact of this legislation, and await further guidance and clarifications from the U. S. Treasury, we expect incremental~~ **Incremental** taxes attributable to ~~these~~ -- **the** ~~new~~ **CAMT are possible and such** ~~tax~~ **taxes** ~~provisions~~ **may be significant** . Climate Change and Related Regulatory, Social and Market Actions May Adversely Affect Our Business Continuing and increasing political and social attention to the issue of climate change has resulted in legislative, regulatory and other initiatives, including international agreements, to reduce GHG emissions, such as carbon dioxide and methane. Policy makers and regulators at both the U. S. federal and state levels have already imposed, or stated intentions to impose, laws and regulations designed to quantify and limit the emission of GHG. For example, **in December 2023,** the EPA ~~released~~ **finalized more stringent methane rules for new, modified and reconstructed facilities, known as OOOOb, as well as standards for existing sources for the first time ever, known as OOOOc. The final** rule **includes** ~~proposals during 2021 and 2022 that if adopted would~~ , among other things, ~~(i) broaden methane~~ **enhanced leak detection survey requirements using optical gas imaging** and ~~volatile organic compounds~~ **other advanced monitoring, zero-** emission ~~reduction~~ requirements for certain **devices** ~~oil and gas facilities~~ , ~~including~~ **and reduction of emissions by 95 % through capture and control systems. The final rule also establishes** a ~~zero-~~ **" super emitter " response program that allows third parties to make reports to the EPA of large methane** ~~emission~~ **emissions events** ~~standard for pneumatic controllers~~ , **triggering certain investigation** and **repair requirements** ~~(ii) impose standards to eliminate venting of associated gas, and require capture and sale of gas where sale line is available, at new and existing oil wells~~ . Moreover, **in August 2022,** the ~~recently enacted~~ IRA ~~imposes~~ **was passed into law, imposing** a new charge or fee with respect to excess methane emissions from certain petroleum and natural gas facilities starting in 2024 and annually increasing through 2026. In addition to these federal efforts, several states where we operate, including New Mexico, Texas and Wyoming, have already imposed, or stated intentions to impose, laws or regulations designed to reduce methane emissions from oil and gas exploration and production activities, including by mandating new leak detection and retrofitting requirements. Policy makers have also advocated for expanding existing, or creating new, reporting and disclosure requirements regarding GHG emissions and other climate- related matters. For example, the EPA proposed amendments in June 2022 to its Green House Gas Reporting Program, which would, among other things, add well blowouts and other abnormal events as new categories of sources for GHG emissions reporting. In addition, the SEC proposed rules in March 2022 that would require public companies to include extensive climate- related disclosures in their SEC filings. Among other things, the proposed SEC rules, if adopted as written, would mandate disclosures on (i) GHG emissions, including Scope 3 emissions if material or part of a company' s emissions goal, (ii) financial impact and expenditure metrics relating to severe weather and climate change and (iii) a company' s use of scenario analysis and climate targets. ~~Although~~ **Similarly, California enacted legislation in October 2023 requiring extensive climate- related disclosures for companies deemed to be doing business in California, and** ~~the~~ **other states are considering similar laws. While we are assessing the applicability of the California legislation and await further** SEC **rulemaking** ~~has not finalized these rules~~ , we would expect to incur substantial additional compliance costs to the extent these or similar ~~rules are adopted~~ **disclosure requirements apply to us** . We further anticipate the costs and other risks associated with any such disclosure requirements to be particularly heightened, given that reporting frameworks on GHG emissions and other climate- related metrics are still maturing and often require the use of numerous assumptions and judgments. Additionally, public statements with respect to emissions reduction goals, environmental targets or, more broadly, ESG- related goals, are becoming increasingly subject to heightened scrutiny from public and governmental authorities with respect to the risk of potential " greenwashing, " i. e., misleading information or false claims overstating potential ESG benefits. For example, ~~in March 2021,~~ the SEC **has** established ~~the~~ **a** Climate and ESG Task Force in the Division of Enforcement to identify and address potential ESG- related misconduct, including greenwashing. Certain non- governmental organizations and other private actors have filed lawsuits under various securities and consumer protection laws alleging that certain ESG- statements were misleading, false, or otherwise deceptive. As a result, we may face increased litigation risks which could, in turn, lead to further negative sentiment against us and our industry. With respect to more comprehensive regulation, policy makers and political leaders have made, or expressed support for, a variety of proposals, such as the development of cap- and- trade or carbon tax programs. In addition, President Biden has continued to highlight addressing climate change as a priority of his administration, and he previously released an energy plan calling for a number of sweeping changes to address climate change, including, among other measures, a national mobilization effort to achieve net- zero emissions for the U. S. economy by 2050, through increased use of renewable power, stricter fuel- efficiency standards and support for zero- emission vehicles. President Biden issued a number of executive orders in January 2021 with the purpose of implementing certain of these changes, including the rejoining of the Paris Agreement. President Biden subsequently announced a target of reducing economy- wide net GHG emissions in the U. S. by 50 % to 52 % below 2005 levels by 2030. At the international level, the United States and the European Union jointly announced the launch of a Global Methane Pledge at the 26th Conference of the Parties in 2021, pursuant to which over 130 participating countries have pledged to a collective goal of reducing global methane emissions by at least 30 % from 2020 levels by 2030. **At the 28th Conference of the Parties in 2023, parties signed onto an agreement to transition " away from fossil fuels in energy systems in a just, orderly and equitable manner " and increase renewable energy capacity so as to achieve net zero by 2050, though no timeline for doing so was set.** Although the full impact of these actions is uncertain at this time, the adoption and implementation of these or other initiatives may result in the restriction or cancellation of oil and natural gas activities, greater costs of compliance or consumption (thereby reducing demand for our products) or an impairment in our ability to continue our operations in an economic manner. In addition to regulatory risk, other market and social initiatives relating to climate change present risks for our business. For example, in an effort to promote a lower- carbon economy, there are various public and private initiatives subsidizing or otherwise encouraging the development and adoption of alternative energy sources and technologies, including by mandating the use of specific fuels or technologies. These initiatives may reduce the competitiveness of carbon- based fuels, such as oil and gas. Moreover, an increasing number of financial institutions, funds and other sources of capital have begun restricting or eliminating their investment in oil and natural gas activities due to their concern regarding climate change. Such restrictions in capital could decrease the value of our business and make it more difficult to fund our operations. In addition, governmental entities and other plaintiffs have brought, and may continue to bring, claims against us and other oil and gas companies for purported damages caused by the alleged effects of climate change. The increasing attention to climate change may result in further claims or investigations against us, and heightened societal or political pressures may increase the possibility that liability could be imposed on us in such matters without regard to our causation of, or contribution to, the asserted damage or violation, or to other mitigating factors. Finally, climate change may also result in various enhanced physical risks, such as an increased frequency or intensity of extreme weather events or changes in meteorological and hydrological patterns, that may adversely impact our operations. Such physical risks may result in damage to our facilities or otherwise adversely impact our operations, such as if we are subject to water use curtailments in response to drought, or demand for our products, such as to the extent warmer winters reduce demand for energy for heating purposes. These and the other risks discussed above could result in additional costs, new restrictions on our operations and reputational harm to us, as well as reduce the actual and forecasted demand for our products. These ~~affects~~ **effects** in turn could impair or lower the value of our assets, including by resulting in uneconomic or " stranded " assets, and otherwise adversely impact our profitability, liquidity and financial condition. Price Controls, Export Restrictions and Other Governmental Interventions in Energy Markets May Adversely Impact our Business Domestic and foreign governmental bodies have from time to time intervened in energy markets by imposing price controls, restricting exports, limiting production or otherwise taking actions to impact the availability and price of oil, natural gas and NGLs. For instance, members of the European Union agreed to a price-cap framework in December 2022 for the trading of natural gas in response to rising energy costs in Europe. Similarly, during 2021 and 2022, President Biden authorized several releases from the U. S. Strategic Petroleum Reserve in an effort to lower domestic energy prices. **More recently, in January 2024, the Biden Administration announced a temporary pause on any new approvals of liquified natural gas export projects, pending a Department of Energy review of its evaluation process for such authorizations.** Governments may take similar actions in the future, particularly in the event of disruption in energy markets or national emergency. Any such interventions could adversely impact our business, including by depressing the price of our production and generally introducing greater uncertainty to our operations. General and Other Risks Facing our Business ~~Our Business Has Been Adversely Impacted by the COVID- 19 Pandemic, and We May Experience Continuing or Worsening Adverse Effects From This or Other Pandemics The COVID- 19 pandemic and related economic repercussions created significant volatility, uncertainty and turmoil in the oil and gas industry and the broader economy. The pandemic and the related responses of governmental authorities and others to limit the spread of the virus significantly reduced global economic activity, which resulted in an unprecedented decline in the demand for oil and other commodities during 2020, along with a corresponding deterioration in commodity prices. Moreover, the COVID- 19 pandemic contributed to disruption and volatility in global supply chains that resulted in increased costs and delays for materials, and we and our service providers faced increased potential for business interruption and other operational risks due to changes of business practices and possible constraints in retaining sufficient personnel due to illness, quarantines, government actions or other restrictions in connection with the pandemic. Although commodity prices subsequently recovered after their decline in 2020, COVID- 19, its variants or any other future pandemic could lead to similar protracted periods of depressed commodity prices or result in other significant adverse consequences to our business. Further, to the extent COVID- 19 or any other pandemic adversely affects our business or the global economic conditions more generally, it may also have the effect of heightening many of the other risks described in this report.~~ The Credit Risk of Our Counterparties Could Adversely Affect Us We enter into a variety of transactions that expose us to counterparty credit risk. For example, we have exposure to financial institutions and insurance companies through our hedging arrangements, our **2023** Senior Credit Facility and our insurance policies. Disruptions in the financial markets or otherwise may impact these counterparties and affect their ability to fulfill their existing obligations and their willingness to enter into future transactions with us. In addition, we are exposed to the risk of financial loss from trade, joint interest billing and other receivables. We sell our oil, gas and NGLs to a variety of purchasers, and, as an operator, we pay expenses and bill our non- operating partners for their respective share of costs. We also frequently look to buyers of oil and gas properties from us or our predecessors to perform certain obligations associated with the disposed assets, including the removal of production facilities and plugging and abandonment of wells. Certain of these counterparties or their successors may experience insolvency, liquidity problems or other issues and may not be able to meet their obligations and liabilities (including contingent liabilities) owed to, and assumed from, us, particularly during a depressed or volatile commodity price environment. Any such default may result in us being forced to cover the costs of those obligations and liabilities. Our business has been adversely impacted by counterparty defaults in the past, and we may experience similar defaults again in the future. Our Debt May Limit Our Liquidity and Financial Flexibility, and Any Downgrade of Our Credit Rating Could Adversely Impact Us As of December 31, ~~2022~~ **2023** , we had total indebtedness of $ 6. ~~4~~ **2** billion. Our indebtedness and other financial commitments have important consequences to our business, including, but not limited to: • requiring us to dedicate a portion of our liquidity to debt service payments, thereby limiting our ability to fund working capital, capital expenditures, investments or acquisitions and other general corporate purposes; • increasing our vulnerability to general adverse economic and industry conditions, including low commodity price environments; and • limiting our ability to obtain additional financing due to higher costs and more restrictive covenants. In addition, we receive credit ratings from rating agencies in the U. S. with respect to our debt. Factors that may impact our credit ratings include, among others, debt levels, planned asset sales and purchases, liquidity, size and scale of our production and commodity prices. Certain of our contractual obligations require us to provide letters of credit or other assurances. Any credit downgrades could adversely impact our ability to access financing and trade credit, require us to provide additional letters of credit or other assurances under contractual arrangements and increase our interest rate under the **2023** Senior Credit Facility as well as the cost of any other future debt. ~~Cyberattacks~~ **Cybersecurity Incidents** May Adversely Impact Our Operations **We rely heavily** ~~Our business has become increasingly dependent~~ on **information systems and other** digital technologies **to conduct our business** , and we anticipate expanding the use of **and reliance on** these **systems and** technologies ~~in our operations~~ , including through artificial intelligence, process automation and data analytics. Concurrent with the growing dependence on technology is a greater sensitivity to cyberattack related activities, which have increasingly targeted our industry. Perpetrators of cyberattacks often attempt to gain unauthorized access to digital systems for purposes of misappropriating confidential and proprietary information, intellectual property or financial assets, corrupting data or causing operational disruptions as well as preventing users from accessing systems or information for the purpose of demanding payment in order for users to regain access. **A wide variety of individuals or groups may perpetuate cyberattacks, ranging from highly sophisticated criminal organizations and state- sponsored actors to disgruntled employees, and the nature of, and methods used in, cyberattacks are similarly diverse and constantly evolving, with examples including phishing attempts, distributed denial of service attacks or ransomware. The increase in remote working practices may also increase the risk of cybersecurity incidents, both from deliberate attacks and unintentional events.** In addition, our vendors (including third-party cloud and IT service providers), midstream providers and other business partners may separately suffer disruptions or breaches from cyberattacks, which, in turn, could adversely impact our operations and compromise our information. Moreover, we and other upstream companies rely on extensive oil and gas infrastructure and distribution systems to deliver our production to market, which in turn depend upon digital technologies. Any cyberattack directed at such infrastructure or systems could adversely impact our business and operations, including by limiting our ability to transport and market our production. Geopolitical instability may also increase our cybersecurity risk. Although we have experienced cybersecurity incidents from time to time, none have had a material effect on our business, operations or reputation ~~.~~ **;** ~~However~~ **however** , **there is no assurance that such a breach has not already occurred and we are unaware of it, or that we will not suffer such a loss in the future. We devote significant resources to prevent cybersecurity incidents and protect our data, but** our systems and procedures for **identifying and** protecting against such attacks and mitigating such risks may prove to be insufficient ~~in the future~~ due to system vulnerabilities, human error or malfeasance or other factors. Any such attacks could have an adverse impact on our business, operations or reputation and lead to remediation costs, litigation or regulatory actions. Moreover, as the sophistication and volume of cyberattacks continue to increase, we may be required to expend significant additional resources to further enhance our digital security or to remediate vulnerabilities, and we may face difficulties in fully anticipating or implementing adequate preventive measures or mitigating potential harm **. Global Pandemics Have Previously and May in the Future Adversely Impact Our Business Global pandemics and the actions taken by third parties, including, but not limited to, governmental authorities, businesses and consumers, in response to such pandemics, including the COVID- 19 pandemic, have previously adversely impacted and may in the future adversely impact the global economy, resulting in significant volatility in the oil and gas industry. A continued, prolonged or a renewed period of reduced demand for oil and other commodities and other adverse impacts from a pandemic may adversely affect our business, financial condition, cash flows and results of operations. Further, to the extent COVID- 19 or any other pandemic adversely affects our business or the global economic conditions more generally, it may also have the effect of heightening many of the other risks described in this report** . Insurance Does Not Cover All Risks As discussed above, our business is hazardous and is subject to all of the operating risks normally associated with the exploration, development and production of oil, gas and NGLs. To mitigate financial losses resulting from these operational hazards, we maintain comprehensive general liability insurance, as well as insurance coverage against certain losses resulting from physical damages, loss of well control, business interruption and pollution events that are considered sudden and accidental. We also maintain workers' compensation and employer' s liability insurance. However, our insurance coverage does not provide 100 % reimbursement of potential losses resulting from these operational hazards **and, in the future, we may not be able to maintain or obtain insurance of the type**

and amount we desire at reasonable rates . Additionally, we have limited or no insurance coverage for a variety of other risks, including pollution events that are considered gradual, war and political risks and fines or penalties assessed by governmental authorities. The occurrence of a significant event against which we are not fully insured could have an adverse effect on our profitability, financial condition and liquidity. Our Business Could Be Adversely Impacted by Shareholder Activism, Proxy Contests or Similar Actions In recent years, proxy contests and other forms of shareholder activism have been directed against numerous public companies. Investors may from time to time seek to involve themselves in the governance, strategic direction and operations of the Company, whether by stockholder proposals, public campaigns, proxy solicitations or otherwise. These actions may be prompted or exacerbated by unfavorable recommendations or ratings from proxy advisory firms or other third parties, including with respect to our performance (or the perception of our performance) under ESG metrics. Such actions could adversely impact our business by distracting our Board of Directors and employees from our long- term strategy, requiring us to incur increased advisory fees and related costs, interfering with our ability to successfully execute on core business operations and strategic transactions or plans and provoking perceived uncertainty about the future direction of our business. Such perceived uncertainty may, in turn, make it more difficult to retain employees and could result in significant fluctuation in the market price of our common stock. Our Acquisition and Divestiture Activities Involve Substantial Risks Our business depends, in part, on making acquisitions, including by merger and other similar transactions, that complement or expand our current business and successfully integrating any acquired assets or businesses. If we are unable to make attractive acquisitions, our future growth could be limited. Furthermore, even if we do make acquisitions, they may not result in an increase in our cash flow from operations or otherwise result in the benefits anticipated due to various risks, including, but not limited to: • mistaken estimates or assumptions about reserves, potential drilling locations, revenues and costs, including synergies and the overall costs of equity or debt; • difficulties in integrating the operations, technologies, products and personnel of the acquired assets or business; and • unknown and unforeseen liabilities or other issues related to any acquisition for which contractual protections prove inadequate, including environmental liabilities and title defects. In addition, from time to time, we may sell or otherwise dispose of certain of our properties or businesses as a result of an evaluation of our asset portfolio and to help enhance our liquidity. These transactions also have inherent risks, including possible delays in closing, the risk of lower- than- expected sales proceeds for the disposed assets or business and potential post- closing **liabilities and** claims for indemnification **, as well as secondary liability for any obligations to third parties guaranteed by us** . Moreover, volatility in commodity prices may result in fewer potential bidders, unsuccessful sales efforts and a higher risk that buyers may seek to terminate a transaction prior to closing. Our Ability to Declare and Pay Dividends and Repurchase Shares Is Subject to Certain Considerations Dividends, whether fixed or variable, and share repurchases are authorized and determined by our Board of Directors in its sole discretion and depend upon a number of factors, including the Company' s financial results, cash requirements and future prospects, as well as such other factors deemed relevant by our Board of Directors. We can provide no assurance that we will continue to pay dividends or execute share repurchases at the current rate or at all. Any elimination of, or downward revision in, our dividend payout or share repurchase program could have an adverse effect on the market price of our common stock. **Furthermore, the IRA imposed a 1 % non- deductible U. S. federal excise tax (the " Stock Buyback Tax ") on certain repurchases of stock by publicly traded U. S. corporations, such as Devon, after December 31, 2022. The Biden Administration has proposed increasing the amount of the Stock Buyback Tax from 1 % to 4 %; however, it is unclear whether and when such a change in the amount of the Stock Buyback Tax could be enacted and take effect.**